

CLARE HOUSING
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

DRAFT

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27
Consolidating Statement of Cash Flows	28

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clare Housing
Minneapolis, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of Clare Housing (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing and affiliates as of December 31, 2023, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clare Housing and its affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clare Housing's and its affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Clare Housing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clare Housing's and its affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in Clare Housing's Annual Report. The other information comprises the Message from the Board Chair and President but does not include the audited consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

(Continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

Report on Summarized Comparative Information

We have previously audited Clare Housing's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 26 to 28 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June XX, 2024, on our consideration of Clare Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clare Housing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clare Housing's internal control over financial reporting and compliance.

June XX, 2024

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 285,568	\$ 711,429
Accounts receivable, net	382,220	459,234
TIF receivable	39,677	44,050
Current portion of contributions receivable, net	173,177	150,392
Grants receivable	430,188	341,135
Current portion of prepaid expenses	137,727	174,916
Total current assets	<u>1,448,557</u>	<u>1,881,156</u>
Reserves and escrows	2,166,998	2,454,317
Investments	2,975,849	2,543,121
Contributions receivable, less current portion, net	64,985	118,880
Developer fee receivable	-	70,000
Prepaid expenses, less current portion	51,621	63,288
Other assets, net	60,138	67,896
Property and equipment, net - Clare Housing	1,424,256	1,481,287
Property and equipment, net - Partnerships	19,270,199	19,893,355
Total assets	<u>\$ 27,462,603</u>	<u>\$ 28,573,300</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 208,251	\$ 305,506
Prepaid rent	16,046	29,216
Current portion of debt - Partnerships	11,235	10,623
Accrued expenses	494,832	444,144
Total current liabilities	<u>730,364</u>	<u>789,489</u>
Deferred grants	-	7,001
Tenant security deposits	93,978	86,483
Accrued interest	364,423	322,330
Debt - Clare Housing	50,000	-
Debt - Partnerships, net	8,454,049	8,466,700
Total liabilities	<u>9,692,814</u>	<u>9,672,003</u>
Net assets without donor restrictions:		
Controlling interest	2,684,552	4,262,829
Controlling interest - board designated	2,722,573	1,198,796
Noncontrolling interests - limited partners	9,164,773	10,013,596
Total unrestricted	<u>14,571,898</u>	<u>15,475,221</u>
Net assets with donor restrictions	3,197,891	3,426,076
Total net assets	<u>17,769,789</u>	<u>18,901,297</u>
Total liabilities and net assets	<u>\$ 27,462,603</u>	<u>\$ 28,573,300</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Program fees	\$ 3,340,358	\$ -	\$ 3,340,358	\$ 2,830,272
Rental revenues, net	1,242,626	-	1,242,626	1,204,010
Contributions	837,003	102,050	939,053	814,083
Government grants and contracts	1,986,884	-	1,986,884	1,762,920
Interest income	60,309	-	60,309	10,605
TIF revenue	26,525	-	26,525	28,824
Developer fee	484	-	484	70,000
Other income	60,504	-	60,504	28,100
Net assets released from restrictions	309,553	(309,553)	-	-
Total revenues and support	<u>7,864,246</u>	<u>(207,503)</u>	<u>7,656,743</u>	<u>6,748,814</u>
Expenses:				
Program services:				
Community care homes	1,349,323	-	1,349,323	1,222,086
Supportive housing	5,245,342	-	5,245,342	4,643,093
Scattered site housing	634,998	-	634,998	671,209
Total program services	<u>7,229,663</u>	<u>-</u>	<u>7,229,663</u>	<u>6,536,388</u>
Management and general	1,287,766	-	1,287,766	1,034,679
Fundraising	479,592	-	479,592	425,938
Total expenses	<u>8,997,021</u>	<u>-</u>	<u>8,997,021</u>	<u>7,997,005</u>
Change in net assets - operating	(1,132,775)	(207,503)	(1,340,278)	(1,248,191)
Investment income (loss), net	229,452	-	229,452	(199,584)
Loss on uncollected pledges	-	(20,682)	(20,682)	(17,784)
Limited Partner capital contributions	-	-	-	658,605
Change in net assets	(903,323)	(228,185)	(1,131,508)	(806,954)
Net assets, beginning of year	<u>15,475,221</u>	<u>3,426,076</u>	<u>18,901,297</u>	<u>19,708,251</u>
Net assets, end of year	<u>\$ 14,571,898</u>	<u>\$ 3,197,891</u>	<u>\$ 17,769,789</u>	<u>\$ 18,901,297</u>
Reconciliation of net assets:				
Controlling interests:				
Beginning of year	\$ 5,461,625	\$ 3,426,076	\$ 8,887,701	\$ 9,370,708
Change in net assets	<u>(54,500)</u>	<u>(228,185)</u>	<u>(282,685)</u>	<u>(483,007)</u>
End of year	<u>\$ 5,407,125</u>	<u>\$ 3,197,891</u>	<u>\$ 8,605,016</u>	<u>\$ 8,887,701</u>
Noncontrolling interests - limited partners:				
Beginning of year	\$ 10,013,596	\$ -	\$ 10,013,596	\$ 10,337,543
Capital contributions	-	-	-	658,605
Other changes in net assets	<u>(848,823)</u>	<u>-</u>	<u>(848,823)</u>	<u>(982,552)</u>
End of year	<u>\$ 9,164,773</u>	<u>\$ -</u>	<u>\$ 9,164,773</u>	<u>\$ 10,013,596</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023						Total	2022
	Community care homes	Supportive housing	Scattered site housing	Total program services	Management and general	Fund-raising		
Salaries	\$ 888,150	\$ 2,073,459	\$ 140,361	\$ 3,101,970	\$ 674,231	\$ 293,891	\$ 4,070,092	\$ 3,230,504
Payroll taxes	67,175	157,162	10,602	234,939	53,897	22,679	311,515	242,103
Employee benefits	129,085	291,160	20,937	441,182	107,391	46,408	594,981	389,190
Total salaries and related	1,084,410	2,521,781	171,900	3,778,091	835,519	362,978	4,976,588	3,861,797
Resident supplies and services	95,123	79,403	11,233	185,759	-	-	185,759	188,252
Apartment leases	-	-	462,037	462,037	-	-	462,037	472,160
Insurance	-	-	-	-	24,070	-	24,070	4,854
Postage	-	3	-	3	603	3,036	3,642	4,609
Printing and copying	-	991	-	991	-	3,414	4,405	5,255
Professional fees	20,535	23,268	1,190	44,993	95,756	29,508	170,257	220,589
Accounting and legal	-	-	-	-	100,741	-	100,741	133,414
Occupancy/utilities	29,839	-	-	29,839	-	-	29,839	59,551
Conferences and meetings	95	12,777	192	13,064	2,965	1,478	17,507	25,347
Office supplies	396	8,446	121	8,963	22,899	49,951	81,813	95,796
Telephone	20,952	2,428	-	23,380	28,810	12,347	64,537	49,257
IT support, maintenance and website	2,462	35,521	10,984	48,967	71,313	6,267	126,547	120,296
Rental, repairs and maintenance	25,569	1,729	-	27,298	6,623	-	33,921	33,372
Dues and subscriptions	1,765	402	-	2,167	22,320	1,787	26,274	17,132
Depreciation	50,542	4,984	-	55,526	24,282	-	79,808	88,976
Interest	-	-	-	-	712	-	712	-
Miscellaneous	17,635	12,197	4,279	34,111	24,215	8,826	67,152	81,573
	<u>1,349,323</u>	<u>2,703,930</u>	<u>661,936</u>	<u>4,715,189</u>	<u>1,260,828</u>	<u>479,592</u>	<u>6,455,609</u>	<u>5,462,230</u>
Partnerships rental operating expenses:								
Administrative	-	304,996	-	304,996	-	-	304,996	284,951
Property management fee	-	117,783	-	117,783	-	-	117,783	137,971
Building maintenance and operating	-	723,455	-	723,455	-	-	723,455	701,407
Utilities	-	393,304	-	393,304	-	-	393,304	420,224
Property insurance	-	142,015	-	142,015	-	-	142,015	107,578
Real estate taxes	-	169,932	-	169,932	-	-	169,932	167,306
Interest expense	-	49,731	-	49,731	-	-	49,731	52,063
Interest expense - amortization of finance fees	-	9,282	-	9,282	-	-	9,282	9,284
Depreciation	-	623,156	-	623,156	-	-	623,156	646,232
Amortization of tax credit fees	-	7,758	-	7,758	-	-	7,758	7,759
	<u>\$ 1,349,323</u>	<u>\$ 5,245,342</u>	<u>\$ 661,936</u>	<u>\$ 7,256,601</u>	<u>\$ 1,260,828</u>	<u>\$ 479,592</u>	<u>\$ 8,997,021</u>	<u>\$ 7,997,005</u>
Allocation percentages	<u>15%</u>	<u>58%</u>	<u>7%</u>	<u>81%</u>	<u>14%</u>	<u>5%</u>	<u>100%</u>	

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (1,131,508)	\$ (806,954)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	720,004	752,252
Limited partner capital contributions	-	(658,605)
Unrealized (gain) loss on investments	(204,061)	199,584
Bad debts	46,646	33,606
Loss on uncollected contributions	20,682	17,784
Changes in operating assets and liabilities:		
Accounts and TIF receivable	34,741	(126,970)
Developer fee receivable	70,000	(70,000)
Contributions receivable	10,428	(22,355)
Grants receivable	(89,053)	(61,108)
Prepaid expenses	48,856	(20,595)
Accounts payable	(106,859)	82,590
Prepaid rent	(13,170)	1,388
Accrued expenses	60,290	(58,259)
Tenant security deposits	7,495	7,169
Deferred grants	(7,001)	(20,186)
Accrued interest	42,094	41,202
Net cash from operating activities	(490,416)	(709,457)
Cash flows from investing activities:		
Payments for property and equipment	(22,777)	(209,627)
Sales of investments	2,457,605	-
Purchase of investments	(2,686,272)	(502,037)
Net cash from investing activities	(251,444)	(711,664)
Cash flows from financing activities:		
Limited partner capital contributions	-	658,605
Proceeds from debt	50,000	-
Repayment of debt	(21,320)	(5,866)
Net cash from financing activities	28,680	652,739
Net decrease in cash, cash equivalents, and restricted cash	(713,180)	(768,382)
Cash, cash equivalents, and restricted cash at beginning of year	3,165,746	3,934,128
Cash, cash equivalents, and restricted cash at end of year	\$ 2,452,566	\$ 3,165,746
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 285,568	\$ 711,429
Reserves and escrows	2,166,998	2,454,317
Total cash, cash equivalents, and restricted cash	\$ 2,452,566	\$ 3,165,746
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 8,349	\$ 10,861

See accompanying notes to consolidated financial statements.

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION

Clare Housing was incorporated as a Minnesota nonprofit corporation in 1994. The mission of Clare Housing is to provide a continuum of affordable and supportive housing options that create healing communities and optimize the health of people living with HIV/AIDS. Clare Housing has three programs as follows:

Community Care Homes - At December 31, 2023, Clare Housing owns three community care homes located in Hennepin County which are licensed through the Minnesota Department of Human Services under the 245D-HCBS program. Each residence houses four adults and provides room and board, supportive services, and twenty-four hour supervision and support.

Supportive Housing - Clare Housing is a developer of supportive housing communities which include Clare Apartments, Clare Hiawatha, Clare Terrace, Clare Marshall Flats and Bloom Lake Flats. Services provided to residents include twenty-four hour customized living services, supportive services, and supervision.

Scattered Site Housing - Clare Housing provides scattered site supportive housing throughout the Twin Cities metropolitan area. Residents include single and family households that come from a long-term homeless background, qualify as low-income and may have at least one member living with HIV. As of December 31, 2023, Clare Housing manages 40 scattered site housing units.

Clare Housing's primary revenues are program fees and funding through government grants and contracts including the Department of Housing and Urban Development's (HUD) Housing Opportunities for People Living with AIDS program (HOPWA), Minnesota's Housing Supports Program, the Department of Human Services HIV/AIDS Unit as well as the Department's Community Access for Disability Inclusion Program (CADI). In addition to government grants and contracts, revenue includes rental revenues as well as private philanthropy (individuals, corporate and foundation giving).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standard Adopted - Effective January 1, 2023, the Clare Housing adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 requires entities to utilize an "expected loss" model for estimating most credit losses. The adoption did not result in a significant change in amounts reported in the consolidated statement of activities and there was no cumulative-effect adjustment to net assets at the time of adoption.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation Method - The consolidated financial statements include the accounts of Clare Housing, its wholly owned LLCs, and four limited partnerships in which Clare Housing or a wholly owned LLC is a general partner and exercises control (collectively, the Organization).

Clare Apartments, LLC is a wholly owned single member limited liability company. Clare Apartments, LLC owns a .01% general partner interest in Clare Apartments Limited Partnership (Clare Apartments). Clare Apartments is a 32-unit apartment complex in Minneapolis, Minnesota. Clare Apartments II LLC, which is also a wholly owned single member limited liability company, is the limited partner.

Clare Hiawatha, LLC is a wholly owned single member limited liability company. Clare Housing and Clare Hiawatha, LLC each own a .005% general partner interest in Clare Hiawatha Limited Partnership (Clare Hiawatha). Clare Hiawatha is a 45-unit apartment complex in Minneapolis, Minnesota.

Clare Terrace, LLC is a wholly owned single member limited liability company. Clare Terrace, LLC owns a .01% general partner interest in Clare Terrace Limited Partnership (Clare Terrace). Clare Terrace is a 36-unit apartment complex located in Robbinsdale, Minnesota.

Clare Marshall Flats LLC is a wholly owned single member limited liability company. Clare Marshall Flats LLC owns a .01% general partner interest in Clare Marshall Flats Limited Partnership (Clare Marshall Flats). Clare Marshall Flats is a 36-unit apartment complex located in Minneapolis, Minnesota.

Limited partner capital, except for Clare Apartments II LLC, is presented as noncontrolling interests in net assets without donor restrictions.

Tax credits from the limited partnerships have been sold to the National Equity Fund. Clare Housing has the right of first refusal to purchase the properties when the limited partnerships are beyond their respective 15 year tax credit compliance periods.

Clare Services LLC (Clare Services) is a wholly owned single member limited liability company. Clare Services was formed to provide supportive services to the residents of Clare Apartments, Clare Hiawatha, Clare Terrace, and Clare Marshall Flats.

All material inter-entity accounts and transactions have been eliminated.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - Revenues and support are classified based on the presence or absence of donor restrictions and are reported in the following net asset categories:

- Without donor restrictions represent the portion of net assets that are not subject to donor restrictions.
- With donor restrictions represents net assets that arose from contributions that are restricted by donors for specific purposes or time periods.

The Organization presents losses on uncollected pledges, Limited Partner contributions, and investment income separate from operating results because management believes the presentation better assists users of the financial statements with analyzing its operating results.

Cash and Cash Equivalents - Cash and cash equivalents include cash accounts and temporary investments purchased with an original maturity of three months or less. Reserves and escrows are considered to be restricted cash.

Accounts and Grants Receivable - Accounts and grants receivable are uncollateralized obligations stated at net realizable value. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected taking into consideration relevant economic conditions, the age of the past due amounts and the financial stability of the client. As of December 31, 2023 and 2022, management of Clare Housing estimated allowances of \$23,002 and \$38,399. Accounts and grants receivable are written off when management estimates that the receivable is worthless. The Partnerships also provide allowances based upon historic experience, relevant economic conditions, and the financial stability of the tenants. Periodic changes to the tenant accounts receivable and allowances are presented as an adjustment to rental revenue on the Partnership's financial statements.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Fee and TIF Receivables – Developer fee and Tax Increment Financing (TIF) receivables are stated at the amount management expects to collect.

Contributions Receivable - Contributions receivable (or pledges) are stated at the present value of their estimated future cash flows. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Amortization of the discount is recorded as contribution revenue. Contributions receivable are written off when management estimates that the receivable is worthless.

Investments - The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

The Organization determines fair value, when necessary, based on assumptions and valuation techniques using assumptions and inputs similar to those used by market participants in pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

Tax Credit Fees - Tax credit fees are amortized over 10 years using the straight-line method. Tax credit fees are reported in Other Assets.

Finance Fees - Finance fees are deferred and amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is reported as interest expense on the statement of functional expenses.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are carried at cost, except for donated equipment, which is recorded at fair market value, estimated by management based on applicable market comparisons, at date of gift. Depreciation of property and equipment is provided for on a straight-line basis over the estimated useful lives which range from: Buildings and Office Space, 39-40 years; Building Improvements, 5-39 years; Land Improvements, 10-15 years; and Furniture and Equipment, 3-10 years. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments in excess of \$5,000, are capitalized.

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. To date, no impairment of long-lived assets has been recorded.

Program Fees - Program fees, including program service fees for care provided under the Community Access for Disability Inclusion program, are recorded as revenue at the time the service is provided.

Rental Revenues - Rental revenues on residential leases are recognized over the period to which they relate. Rental payments received in advance are deferred until earned. Leases are operating leases and are for periods of up to one year.

Developer Fees - Developer fees are recognized when earned according to the Development Agreement.

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the contribution is recognized. Conditional contributions are recorded when the conditions have been met and the conditional promise becomes unconditional.

Government Grants and Contracts - Government grants and contracts are accounted for as contributions. Government grants and contracts are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital grants received from the Department of Housing and Urban Development (HUD), the Federal Home Loan Bank (FHLB), the City of Minneapolis, and the City of Robbinsdale are recorded as donor restricted grants when received. These grants are subject to several requirements, including that the properties be operated as low income housing for a specific time period. Based on the history of Clare Housing, management believed violation of the agreements and repayment of these grants to be unlikely. These grants are reported as net assets with donor restrictions and released to net assets without donor restrictions upon expiration of the grant requirements.

Revenue from the Section 1602 grant from the City of Minneapolis is deferred and recognized as revenue using the straight-line method over 40 years on Clare Hiawatha's financial statements. For the consolidated financial statements, this grant was recognized as donor restricted revenue when received and is released from restriction over the 15 year compliance period beginning in 2011. Because these grants were recognized prior to the implementation of Accounting Standards Update (ASU) 2018-08, the Section 1602 grants will continue to be released over the 15 year compliance period as allowed under this ASU's implementation guidance per the Organization's interpretation of such guidance.

Leases - Short term leases of 12 months or less are not recognized in the statement of financial position.

Resident Supplies and Services - Resident supplies and services represent various expenses incurred in providing supportive services. These expenses include household supplies, medical supplies, food, and transportation of residents.

Functional Expenses - Expenses are recorded to program and support services directly when possible. Payroll and related expenses are allocated based on management estimates of employee work efforts. Occupancy costs are allocated based on usage of specific buildings and space. Resident supplies and services expenses are allocated to programs based on the percent of total program expenses prior to allocation.

Income Taxes - Clare Housing is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from Minnesota income taxes under applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes Clare Housing does not have any unrelated business income or uncertain tax positions.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The limited liability companies and Clare Apartments are included in the income tax returns of Clare Housing. The limited partnerships are not taxpaying entities; income or losses are passed through to the partners.

Comparative Total Column - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2022, from which the summarized information was derived.

3. RESERVES AND ESCROWS

Certain partnership and loan agreements require that cash be escrowed for real estate taxes and insurance, replacement reserves, revenue deficit reserves, exit tax reserves, partnership fee reserves, and operating reserves. Reserves and escrows also include funds held for tenant security deposits.

Reserves and escrows consist of the following amounts:

	<u>2023</u>	<u>2022</u>
Security deposits	\$ 95,773	\$ 84,497
Tax and insurance escrow	6,608	11,166
Replacement reserve	450,125	514,016
Operating reserve	585,769	673,863
Revenue deficit reserve	884,461	1,017,107
Other	144,262	153,668
	<u>\$ 2,166,998</u>	<u>\$ 2,454,317</u>

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

4. FAIR VALUE MEASUREMENTS

The following is a summary of the inputs used to value investments as of December 31:

2023	Fair Value Measurements at Reporting Date Using:			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market cash	\$ 29,607	\$ -	\$ -	\$ -
Certificates of deposit	253,277	-	253,277	-
Mutual and exchange traded funds	2,692,965	\$ 2,692,965	\$ -	\$ -
Total	<u>\$ 2,975,849</u>			
2022	Fair Value Measurements at Reporting Date Using:			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market cash	\$ 34,461	\$ -	\$ -	\$ -
Mutual and exchange traded funds	2,508,660	\$ 2,508,660	\$ -	\$ -
Total	<u>\$ 2,543,121</u>			

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are due as follows:

	2023	2022
Contributions receivable within one year	\$ 173,949	\$ 151,661
Receivable in 1 - 5 years	79,531	142,398
	253,480	294,059
Less discount	(9,831)	(16,475)
Less allowance for uncollectible contributions	(5,487)	(8,312)
Contributions receivable, net	238,162	269,272
Less current portion, net	(173,177)	(150,392)
Contributions receivable, net, noncurrent	\$ 64,985	\$ 118,880

Contributions receivable are discounted to present value at the 2 year Treasury Rate of 4.33% in 2023 and 4.25% in 2022 .

Grants receivable are all due within one year.

6. CONDITIONAL PROMISES TO GIVE

At December 31, 2023, Clare Housing has government grants with remaining commitments that are conditioned upon incurring eligible expenditures or performing certain services in accordance with the corresponding grant agreements. These contributions are not recognized in the financial statements until the conditions have been met. They include the following:

HOPWA	\$ 1,359,697
Housing Development	1,000,000
Minnesota Department of Human Services	929,196
MN Housing	470,106
Hennepin County	84,112
Hearth Connection	58,236
	\$ 3,901,347
Remaining commitments	\$ 3,901,347

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

7. PROPERTY AND EQUIPMENT

	2023	2022
Clare Housing:		
Land - housing	\$ 93,600	\$ 93,600
Land improvements - housing	76,750	76,750
Buildings and improvements - housing	1,752,607	1,752,607
Furniture and equipment - housing	105,371	99,382
Furniture and equipment - office	200,010	193,222
Office space	520,383	520,383
Development in progress	10,000	-
	2,758,721	2,735,944
Less accumulated depreciation	(1,334,465)	(1,254,657)
Clare Housing, net	\$ 1,424,256	\$ 1,481,287
Partnerships:		
Land	\$ 2,259,471	\$ 2,259,471
Land improvements	716,957	716,957
Buildings and improvements	23,212,496	23,230,745
Furniture and equipment	687,345	669,096
Construction in progress	38,449	38,449
	26,914,718	26,914,718
Less accumulated depreciation	(7,644,519)	(7,021,363)
Partnerships, net	\$ 19,270,199	\$ 19,893,355

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

8. DEBT

	2023	2022
Clare Housing:		
CSH Note	\$ 50,000	\$ -
Partnerships:		
Minnesota Housing Financing Agency	2,469,690	\$ 2,469,690
Hennepin County	2,086,950	2,086,950
City of Minneapolis	3,888,255	3,888,255
Bremer Bank	85,881	107,201
Family Housing Fund	100,000	100,000
	8,630,776	8,652,096
Less current portion	(11,235)	(10,623)
Less unamortized finance fees	(165,492)	(174,773)
	\$ 8,454,049	\$ 8,466,700

Note payable to Corporation for Supportive Housing (CSH) in the original amount of \$100,000 due November 9, 2026. Interest is at 0% for the first 24 months, and at 3.5% thereafter. \$50,000 of the loan has been received, with the remaining amount to be received at a future date yet to be determined. The purpose of the loan proceeds is to finance the predevelopment costs associated with the development of a new supportive housing project located in Hennepin County, Minnesota, at a site yet to be determined. In the event that the project is unable to proceed through no fault of Clare Housing's, a portion of the loan may be forgiven at the discretion of the lender. Clare Housing has the option to request 180 day extension periods of the maturity date if certain conditions have been satisfied as described in the loan agreement. The note is secured by the Clare Housing's assets.

Mortgage payable to the Minnesota Housing Financing Agency (MN Housing) under its Housing Opportunities for People with AIDS (HOPWA) Program in the original amount of \$209,631 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to MN Housing under its Housing Trust Fund (HTF) Program in the original amount of \$220,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

8. DEBT (Continued)

Mortgage payable to MN Housing in the original amount of \$480,000 without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

Mortgage payable to MN Housing under the Economic Development and Housing Challenge Program (EDHC) in the original amount of \$1,140,059 dated December 30, 2014, without interest. Principal is due on December 30, 2044. Secured by Clare Terrace.

Mortgage payable to MN Housing under the EDHC program in the original amount of \$420,000 dated September 22, 2016, with simple interest at 2.00%. Principal is due and payable in full on September 23, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the Hennepin County Housing and Redevelopment Authority (HRA) under the Affordable Housing Incentive Fund (AHIF) program in the original amount of \$425,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the HRA under the AHIF program in the original amount of \$616,950 dated May 6, 2010, without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

Mortgage payable to the HRA under the AHIF program in the original amount of \$675,000 dated December 30, 2014, without interest. Principal is due on December 30, 2044. Secured by Clare Terrace.

Mortgage payable to the HRA under the AHIF program in the original amount of \$370,000 dated September 23, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 23, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the Minneapolis Department of Community Planning and Economic Development (CPED) under the Community Development Block Grants (CDBG) program in the original amount of \$435,000 dated December 16, 2004, with interest at 1%. Principal and accrued interest are due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the City of Minneapolis in the original amount of \$90,000 dated November 30, 2005, with simple interest at 1%. Principal and accrued interest are due on November 30, 2035. Secured by Clare Apartments.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

8. DEBT (Continued)

Mortgage payable to CPED under the HOME Investment Partnerships program in the original amount of \$2,308,255 dated May 6, 2010, without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

Mortgage payable to the City of Minneapolis under the Affordable Housing Trust Fund (AHTF) in the original amount of \$655,000 dated September 22, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 22, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the City of Minneapolis under the Local Housing Initiatives Account Program (LHIA) in the original amount of \$400,000 dated September 22, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 22, 2046. Secured by Clare Marshall Flats.

Mortgage payable to Bremer Bank, National Association dated December 30, 2014, in the amount of \$185,000. Interest is a fixed rate equal to the seven year SOFR swap rate as determined one business day prior to conversion plus 3.0% (5.73% as of December 31, 2023). The fixed rate will be adjusted to the three year SOFR swap rate plus 3% on June 16 of each three year anniversary of the conversion date (June 16, 2016). Semi-annual principal and interest payments are due each February 2 and August 2 through the maturity date of June 15, 2030. The payment amount will be the greater of the full TIF note payment received or an amount required to fully amortize the loan over a period of fifteen years from the conversion date. Secured by Clare Terrace.

Mortgage payable to the Family Housing Fund in the original amount of \$100,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Maturities of debt for the years ending December 31 are as follows:

2024	\$	11,235
2025		11,912
2026		62,614
2027		13,357
2028		14,138
Thereafter		<u>8,567,520</u>
	\$	<u>8,680,776</u>

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

8. DEBT (Continued)

The partnership debt agreements place restrictions on tenant qualifications, rental rates, and cash distributions.

While the partnership debt agreements provide for entire payment of principal and interest on the maturity dates of the loans, the entire outstanding balance will be immediately due and payable upon the occurrence of any one of the following events:

- Transfer or sale of apartment complexes without the lender's approval
- Termination of the use of apartment complexes as low income housing
- Use of apartments which violates any federal, state or local law, statute or ordinance
- Default under any of the loan agreements

9. NET ASSETS

Net assets with donor restrictions - Net assets with donor restrictions are for the following purposes:

	2023	2022
Clare Housing:		
Subject to the passage of time		
Contributions receivable (2024 - 2027)	\$ 167,595	\$ 252,286
Future operations	12,740	70,941
	180,335	323,227
Partnerships:		
Not subject to appropriation or expenditure		
Capital grants - housing	2,846,970	2,846,970
1602 grant for Clare Hiawatha - housing	170,586	255,879
	3,017,556	3,102,849
	\$ 3,197,891	\$ 3,426,076

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

9. **NET ASSETS (Continued)**

Net assets released from donor restrictions - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	2023	2022
Clare Housing:		
Contributions receivable - time restricted	\$ 244,942	\$ 231,065
Loss on uncollected pledges	(20,682)	(17,784)
Partnerships:		
1602 grant for Clare Hiawatha - housing	85,293	85,293
	\$ 309,553	\$ 298,574

Board Designated - The Board established a designated reserve with a current balance of \$2,722,573 as a source of cash for one-time, nonrecurring expenses that will build long-term capacity. Each year the Board will review unrestricted cash levels to determine if additional funds can be added. The Finance Committee will review requests for usage of the funds by the Executive Director and, if approved, will make a recommendation to the Board of Directors.

10. **SCATTERED SITE HOUSING LEASES**

Clare Housing has entered into grant agreements with MN Housing and the City of Minneapolis. Under the agreements, Clare Housing will provide scattered site supportive housing for households that are extremely low-income, at risk of homelessness and/or that meet the State's definition of Long-Term Homelessness or HUD requirements. The program's target population is individuals and families that are living with HIV/AIDS. Units are leased directly by the client receiving supportive services and the rent payments are paid by Clare Housing directly to the landlord. Lease expense related to this was \$442,001 for 2023 and \$472,160 for 2022.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

11. TAX INCREMENT REVENUE NOTE RECEIVABLE

Clare Terrace has entered into a Contract for Private Development and Tax Increment Revenue Note with the Robbinsdale Economic Development Authority (REDA) to develop the apartment complex through the use of tax increment financing (TIF). Under the agreement, REDA agreed to reimburse certain development costs and issued a tax increment note in payment. The principal amount of the note is \$350,000, with simple interest accruing at 4%. REDA will make semi-annual (February 1 and August 1) payments on the note beginning August 1, 2017. Such amounts are payable solely from 90% of the tax increment portion of any real estate tax payments made by the Partnership on the Project. Payments will be made until the note is paid in full or the statutory TIF period expires (August 1, 2038), whichever occurs first. REDA's obligation is subject to Clare Terrace's compliance with the development contract and Tax Increment Limited Revenue Note during the period that principal and accrued interest is outstanding. Payments on the TIF note are recognized as revenue when the related real estate taxes are accrued.

Clare Terrace has assigned the Tax Increment Revenue Note to Bremer Bank as additional security on the TIF note payable and has established a TIF payment reserve at Bremer Bank.

12. RETIREMENT PLAN

Clare Housing has a retirement plan under Section 403(b) of the Internal Revenue Code which provides for voluntary pre-tax employee contributions and discretionary employer contributions. Employees are eligible to participate in the plan upon hire. Employer contributions were \$112,420 for 2023, and \$84,536 for 2022.

13. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

The Organization places its cash with financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times the amount on deposit exceeds the insured limit of an institution which exposes the Organization to a collection risk. The Organization has not experienced any losses as a result of these deposits. At December 31, 2023 and 2022, deposits exceeded the insured limit by \$1,337,181 and \$1,648,203. Of these amounts, \$25,264 and \$17,574 is attributable to Clare Housing, \$474,454 and \$559,682 are attributable to Clare Hiawatha, and \$837,463 and \$1,070,947 are attributable to the other limited partnerships at December 31, 2023 and 2022.

Approximately 52% and 50% of Clare Housing's 2023 and 2022 total revenues and support is from program fees.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

13. **COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)**

Capital grants are subject to a number of requirements, including that the properties be operated as low income housing for a specific time period. Violation of the requirements would require the Organization to repay the grants to the funder.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

As a general partner in limited partnerships, Clare Housing is contingently responsible for the obligations of the limited partnerships. The limited partnership agreements provide for various obligations of the general partner including its obligation to provide funds for operating deficits and a guaranty of housing tax credits.

Clare Marshall Flats, Clare Terrace, Clare Hiawatha, and Clare Apartments' sole assets are the apartment complexes. Their operations are concentrated in the Minneapolis and Robbinsdale, Minnesota multifamily real estate markets. In addition, they operate in a heavily regulated environment. Their operations are subject to rules and regulations of federal, state, and local governmental agencies. Changes in rules and regulations may occur with little notice or inadequate funding to pay for the costs to comply with a change.

Housing tax credits for the limited partnerships are contingent on their ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital of the limited partner.

The Partnerships are subject to extended use agreements between the Partnerships and MN Housing which require the properties to be used for low income occupancy (income and rent limits). The extended use period ends on December 31, 2034, for Clare Apartments; December 31, 2040, for Clare Hiawatha; December 31, 2045, for Clare Terrace; and December 31, 2046, for Clare Marshall Flats.

The Partnerships are subject to various legal proceedings covering a range of matters that arise in the course of their business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Partnerships or Clare Housing.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets held by the Limited Partnerships are generally limited to use for general expenditures within the individual Partnerships and are not available for general expenditures of Clare Housing.

As part of Clare Housing's liquidity management, it has a policy to monitor and structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Clare Housing invests excess operating cash in various investment products in line with its investment policies. A portion of these funds are board designated, though all investments could be made available for general expenditures with board approval.

Clare Housing's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

December 31, 2023:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 275,264	\$ 10,304	\$ 285,568
Accounts receivable	302,477	79,743	382,220
Current portion of contributions receivable, net	173,177	-	173,177
Grants receivable	430,188	-	430,188
Investments	2,975,849	-	2,975,849
Total financial assets available within one year	4,156,955	90,047	4,247,002
Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(2,722,573)	-	(2,722,573)
Total financial assets available within one year after board designations	\$ 1,434,382	\$ 90,047	\$ 1,524,429

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023
(With Comparative Totals for 2022)

14. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

December 31, 2022:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 630,977	\$ 80,452	\$ 711,429
Accounts receivable	293,313	165,921	459,234
Current portion of contributions receivable, net	150,392	-	150,392
Grants receivable	341,135	-	341,135
Investments	2,543,121	-	2,543,121
Total financial assets available within one year	3,958,938	246,373	4,205,311
Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(1,198,796)	-	(1,198,796)
Total financial assets available within one year after board designations	\$ 2,760,142	\$ 246,373	\$ 3,006,515

15. SUBSCRIPTIONS RECEIVABLE

The Limited Partner of Clare Marshall Flats agreed to make capital contributions to Clare Marshall Flats. The capital contributions were to be made once certain conditions were met. For a detailed description of the conditions, see the Partnership Agreement. In 2022, a capital contribution of \$658,605 was received. No additional capital contributions are expected.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June XX, 2024, the date the financial statements were available to be issued.

DRAFT

SUPPLEMENTARY INFORMATION

CLARE HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2023

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 275,264	\$ -	\$ 10,304	\$ -	\$ 285,568
Accounts receivable, net	302,477	-	79,743	-	382,220
TIF receivable	-	-	39,677	-	39,677
Current portion of contributions receivable, net	173,177	-	-	-	173,177
Grants receivable	430,188	-	-	-	430,188
Current portion of prepaid expenses	114,318	-	23,409	-	137,727
Total current assets	<u>1,295,424</u>	<u>-</u>	<u>153,133</u>	<u>-</u>	<u>1,448,557</u>
Reserves and escrows	-	-	2,166,998	-	2,166,998
Investments	2,975,849	-	-	-	2,975,849
Contributions receivable, less current portion, net	64,985	-	-	-	64,985
Notes receivable	2,646,970	-	-	(2,646,970)	-
Prepaid expenses, less current portion	-	-	51,621	-	51,621
Other assets, net	-	-	60,138	-	60,138
Investment in Partnerships	325,162	-	-	(325,162)	-
Due from Partnerships	279,880	616,950	-	(896,830)	-
Property and equipment, net - Clare Housing	1,424,256	-	-	-	1,424,256
Property and equipment, net - Partnerships	-	-	20,141,663	(871,464)	19,270,199
Total assets	<u>\$ 9,012,526</u>	<u>\$ 616,950</u>	<u>\$ 22,573,553</u>	<u>\$ (4,740,426)</u>	<u>\$ 27,462,603</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 94,611	\$ -	\$ 124,384	\$ (10,744)	\$ 208,251
Prepaid rent	-	-	16,046	-	16,046
Current portion of debt - Partnerships	-	-	11,235	-	11,235
Accrued expenses	301,999	-	192,833	-	494,832
Total current liabilities	<u>396,610</u>	<u>-</u>	<u>344,498</u>	<u>(10,744)</u>	<u>730,364</u>
Deferred grants	-	-	868,921	(868,921)	-
Tenant security deposits	-	-	93,978	-	93,978
Accrued interest	-	-	982,660	(618,237)	364,423
Due to Clare Housing	-	-	270,577	(270,577)	-
Debt - Clare Housing	50,000	-	-	-	50,000
Debt - Partnerships, less current portion	-	616,950	11,101,019	(3,263,920)	8,454,049
Total liabilities	<u>446,610</u>	<u>616,950</u>	<u>13,661,653</u>	<u>(5,032,399)</u>	<u>9,692,814</u>
Net assets:					
Without donor restrictions:					
Controlling interest	2,816,038	-	(252,873)	121,387	2,684,552
Controlling interest - board designated	2,722,573	-	-	-	2,722,573
Noncontrolling interests - limited partners	-	-	9,164,773	-	9,164,773
Total net assets without donor restrictions	<u>5,538,611</u>	<u>-</u>	<u>8,911,900</u>	<u>121,387</u>	<u>14,571,898</u>
With donor restrictions	3,027,305	-	-	170,586	3,197,891
Total net assets	<u>8,565,916</u>	<u>-</u>	<u>8,911,900</u>	<u>291,973</u>	<u>17,769,789</u>
Total liabilities and net assets	<u>\$ 9,012,526</u>	<u>\$ 616,950</u>	<u>\$ 22,573,553</u>	<u>\$ (4,740,426)</u>	<u>\$ 27,462,603</u>

See independent auditor's report

CLARE HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	Clare Housing		Limited Partnerships	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions			
Revenues and support:					
Program fees	\$ 3,340,358	\$ -	\$ -	\$ -	\$ 3,340,358
Rental revenues	-	-	1,386,028	(143,402)	1,242,626
Contributions	837,003	102,050	-	-	939,053
Government grants and contracts	1,986,884	-	-	-	1,986,884
Section 1602 grant amortization	-	-	31,985	(31,985)	-
Partnership management fees	61,597	-	-	(61,597)	-
Interest income	54,821	-	54,252	(48,764)	60,309
TIF revenue	-	-	26,525	-	26,525
Developer fee	484	-	-	-	484
Other income	2,360	-	58,144	-	60,504
Net assets released from restrictions	224,260	(224,260)	-	-	-
Total revenues and support	<u>6,507,767</u>	<u>(122,210)</u>	<u>1,556,934</u>	<u>(285,748)</u>	<u>7,656,743</u>
Expenses:					
Program services:					
Community care homes	1,349,323	-	-	-	1,349,323
Supportive housing	2,896,096	-	2,678,283	(329,037)	5,245,342
Scattered site housing	634,998	-	-	-	634,998
Total program services	<u>4,880,417</u>	<u>-</u>	<u>2,678,283</u>	<u>(329,037)</u>	<u>7,229,663</u>
Management and general	1,287,766	-	-	-	1,287,766
Fundraising	479,592	-	-	-	479,592
Total expenses	<u>6,647,775</u>	<u>-</u>	<u>2,678,283</u>	<u>(329,037)</u>	<u>8,997,021</u>
Change in net assets before investment income and loss on uncollected pledges	(140,008)	(122,210)	(1,121,349)	43,289	(1,340,278)
Investment income, net	229,452	-	-	-	229,452
Loss on uncollected pledges	-	(20,682)	-	-	(20,682)
Change in net assets	89,444	(142,892)	(1,121,349)	43,289	(1,131,508)
Net assets, beginning of year	<u>5,452,417</u>	<u>3,166,947</u>	<u>10,033,249</u>	<u>248,684</u>	<u>18,901,297</u>
Net assets, end of year	<u>\$ 5,541,861</u>	<u>\$ 3,024,055</u>	<u>\$ 8,911,900</u>	<u>\$ 291,973</u>	<u>\$ 17,769,789</u>
Change in net assets attributed to:					
Controlling interest - Clare Housing	\$ 89,444	\$ (142,892)	\$ (272,526)	\$ 43,289	\$ (282,685)
Noncontrolling interests - Partnerships	-	-	(848,823)	-	(848,823)
Consolidated total	<u>\$ 89,444</u>	<u>\$ (142,892)</u>	<u>\$ (1,121,349)</u>	<u>\$ 43,289</u>	<u>\$ (1,131,508)</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ (53,448)	\$ (1,121,349)	\$ 43,289	\$ (1,131,508)
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization of tax credit fees	79,808	657,424	(26,510)	710,722
Interest expense - amortization of finance fees	-	9,282	-	9,282
Section 1602 grant amortization	-	(31,985)	31,985	-
Unrealized (gain) loss on investments	(204,061)	-	-	(204,061)
Bad debts	-	46,646	-	46,646
Loss on uncollected pledges	20,682	-	-	20,682
Changes in operating assets and liabilities:				
Accounts and TIF receivable	33,342	43,905	27,494	104,741
Contributions receivable	10,428	-	-	10,428
Grants receivable	(89,053)	-	-	(89,053)
Prepaid expenses	44,085	4,771	-	48,856
Accounts payable	(37,030)	(73,523)	3,694	(106,859)
Prepaid rent	-	(13,170)	-	(13,170)
Accrued expenses	47,979	43,499	(31,188)	60,290
Tenant security deposits	-	7,495	-	7,495
Deferred grants	(7,001)	-	-	(7,001)
Accrued interest	-	90,858	(48,764)	42,094
Net cash from operating activities	<u>(154,269)</u>	<u>(336,147)</u>	<u>-</u>	<u>(490,416)</u>
Cash flows from investing activities:				
Payments for property and equipment	(22,777)	-	-	(22,777)
Sales of Investments	2,457,605	-	-	2,457,605
Purchase of investments	(2,686,272)	-	-	(2,686,272)
Net cash from investing activities	<u>(251,444)</u>	<u>-</u>	<u>-</u>	<u>(251,444)</u>
Cash flows from financing activities:				
Proceeds from debt	50,000	-	-	50,000
Repayment of debt	-	(21,320)	-	(21,320)
Net cash from financing activities	<u>50,000</u>	<u>(21,320)</u>	<u>-</u>	<u>28,680</u>
Net decrease in cash, cash equivalents, and restricted cash	(355,713)	(357,467)	-	(713,180)
Cash, cash equivalents, and restricted cash - beginning of year	<u>630,977</u>	<u>2,534,769</u>	<u>-</u>	<u>3,165,746</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 275,264</u>	<u>\$ 2,177,302</u>	<u>\$ -</u>	<u>\$ 2,452,566</u>
Reconciliation to the statement of financial position:				
Cash and cash equivalents	\$ 275,264	\$ 10,304	-	\$ 285,568
Reserves and escrows	-	2,166,998	-	2,166,998
Total cash, cash equivalents, and restricted cash	<u>\$ 275,264</u>	<u>\$ 2,177,302</u>	<u>\$ -</u>	<u>\$ 2,452,566</u>
Supplemental disclosures of cash flow information:				
Cash paid for interest	<u>\$ 712</u>	<u>\$ 7,637</u>	<u>\$ -</u>	<u>\$ 8,349</u>

See independent auditor's report.